

## InterContinental Hotels Group PLC

### Remuneration Committee – Terms of Reference

#### 1. Membership

- 1.1 The Remuneration Committee (the “Committee”) is appointed by the Board exclusively from amongst the independent non-executive directors of the Company on the recommendation of the Nomination Committee, in consultation with the Chair of the Remuneration Committee with a minimum membership of three.
- 1.2 The Committee Chair is appointed by the Board from amongst the independent non-executive directors and shall have served on a remuneration committee for at least 12 months. In the absence of the Committee Chair and/or an appointed deputy at a formal meeting of the Remuneration Committee, the remaining members present shall elect one of themselves to chair the meeting. The Chair of the Board shall not be the Chair of the Committee.
- 1.3 Only members of the Committee and the Chair of the Board have the right to attend Committee meetings. However, other individuals such as the Chief Executive Officer, non-executive directors who are not members of the Committee, the Chief Human Resources Officer and external advisers may be invited to attend for all or part of any meeting as and when appropriate.

#### 2. Secretary

The Company Secretary, or his/her nominee with the agreement of the Committee, shall be the Secretary of the Committee and shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

#### 3. Quorum

The quorum necessary for the transaction of business shall be two. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

#### 4. Frequency of Meetings

The Committee shall meet not less than twice a year and at such other times as the Chair of the Committee shall require, or any of its members request.

#### 5. Notice of Meetings

Meetings of the Committee shall be convened by the Secretary of the Committee.

## **6. Minutes of Meetings**

- 6.1 The Secretary shall minute the proceedings of all meetings of the Committee.
- 6.2 The Secretary shall circulate the minutes of the meetings to all members of the Committee and, once agreed, to all members of the Board, except where, in the opinion of the Committee Chair, a conflict of interest exists. For example, where it is not appropriate to share all discussions with a particular board member (e.g. remuneration details for executive colleagues) these will be omitted from the relevant individual's copy.

## **7. Engagement with shareholders**

- 7.1 The Chair of the Committee shall, once per annum and/or where considered appropriate, seek engagement with shareholders on significant matters related to the responsibilities of the Committee.
- 7.2 The Chair of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities and responsibilities.

## **8. Guiding Principles**

In carrying out its duties under these Terms of Reference, the Remuneration Committee should have regard to laws, regulations, and any published guidelines or recommendations regarding the remuneration of directors of listed/non-listed companies and formation and operation of share schemes including but not limited to the terms of the Financial Reporting Council's UK Corporate Governance Code (the "Code") and the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules.

## **9. Authority**

The Committee (and individual members) is authorised by the Board, within the scope of its roles and responsibilities, to:

- 9.1 investigate any matters within these Terms of Reference;
- 9.2 seek any information that is required from any employee (and all employees are directed to co-operate with any request made by the Committee); and
- 9.3 obtain internal and independent professional advice, or resources as needed, with the Company bearing the cost. Such advisers may attend meetings as necessary. For the avoidance of doubt, such independent professional advice may include external remuneration consultancy. The Remuneration Committee will be responsible for the appointment (or dismissal), compensation, retention and oversight of any external remuneration consultant. The Committee will assess any such external remuneration consultants' appointment, including without limitation, independence, the nature and scope of work, fees, terms of engagement and performance. Such remuneration consultants will not be precluded from providing services to the Company, subject to the Company having consulted with the Remuneration Committee in order to assess the appropriateness of any such instructions and to verify that the consultant has adopted a suitable procedure to ensure independence.

## 10. Duties

The Remuneration Committee reviews executive remuneration trends across the Company at least annually. The Committee agrees, on behalf of the Board, all aspects of the remuneration of the executive directors and the Executive Committee members (Bands 1 & 2), and agrees the strategy, direction and policy of the remuneration of other senior management executives (including but not limited to Band 3) who have a significant influence over the Company's ability to meet its strategic objectives.

In order to do this, the Committee should be regularly informed on relevant comparative remuneration, remuneration market trends and practices in each Region and the overall remuneration trends, policies and practices for other employees.

The Committee shall:

- 10.1 have responsibility for setting policy for the remuneration of the Company's Chair, Chief Executive Officer, and the executive directors, including pension rights and any compensation payments. The Company's Chair and the executive directors should determine the remuneration of the non-executive directors within the limits set out in the Articles of Association. No director or senior manager shall be involved in any decision as to their own remuneration;
- 10.2 in determining the executive directors' remuneration policy, the Committee should take into account any factors which it deems necessary and should take into account the alignment of incentives and rewards with culture and workforce remuneration and related policies where appropriate and relevant. The policy should have regard to the risk appetite of the Company, the views of shareholders and other stakeholders and alignment to the Company's purpose, values and long-term strategic goals. Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success of the Company. Performance related elements should be transparent, stretching and rigorously applied;
- 10.3 approve the design of, and determine targets for and conditions of, any performance-related pay schemes operated by the Company for executive directors, Executive Committee members and other senior management, and approve the total annual payments made under such schemes;
- 10.4 review the design of all share-based incentive plans for approval by the Board and shareholders. For these plans, the Committee shall determine each year whether awards will be made and, if so, the aggregate amount of such awards, the individual awards for executive directors, Executive Committee members and other senior management, and the performance measures and targets to be used;
- 10.5 determine the policy for, and scope of, pension arrangements, or payments in lieu, for each executive director, Executive Committee members and other senior management;
- 10.6 within the terms of the agreed policies, and in consultation with the Chair and/or Chief Executive Officer as appropriate, determine the total individual remuneration package of each executive director and other Executive Committee members including annual incentives, other incentive payments, share awards and/or share options and pensions, and monitor the level and structure of incentive based remuneration for other senior management. The Remuneration Committee should take care to recognise and manage conflicts of interest when receiving views from Executive Directors or senior management, or consulting the Chief Executive about its proposals;

- 10.7 in determining these packages and related arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the Code and the UK Listing Authority's Listing Rules and associated guidance, and pay and employment conditions across the Group
- 10.8 for executive directors, Executive Committee members and other senior management, ensure that contractual terms on termination, and any payments made, are fair to the individual and to the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- 10.9 oversee any major changes in employee benefits structures which impact executive directors, Executive Committee members or other senior management;
- 10.10 review workforce remuneration and related policies and the alignment of incentives and rewards with culture;
- 10.11 review the ongoing appropriateness and relevance of the remuneration policy, consider relevant input from key stakeholders, and obtain reliable, up-to-date information about remuneration in other companies. The Committee shall have full authority to commission or purchase any reports, surveys or information which it deems necessary to help it fulfil its obligation at the expense of the Company;
- 10.12 provide clear and full disclosure of remuneration for executive directors and non-executive directors, including all benefits, and ensure that all provisions regarding disclosure are fulfilled;
- 10.13 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee; and
- 10.14 work and liaise as necessary with all other Board committees.

## **11. Reporting Responsibilities**

- 11.1 The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities, unless, in the opinion of the Committee, it would be inappropriate to do so.
- 11.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 11.3 The Committee shall ensure that provisions regarding disclosure of information, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Code, are fulfilled and produce an annual report (the "Remuneration Report") of the Company's remuneration policy and practices which will form part of the Company's Annual Report and ensure each year that it is put to shareholders for approval at the AGM.
- 11.4 The Committee shall make a statement in the Annual Report about its activities, having regard to the provisions of the applicable UK Corporate Governance Code.

## **12. Other matters**

The Committee shall:

- 12.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 12.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members; and
- 12.3 at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

**December 2018**